

Message Text

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TO AMEMBASSY BONN PRIORITY

C O N F I D E N T I A L STATE 251497

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EXDIS EYES ONLY FOR HILLENBRAND FROM HARTMAN

FOL REPEAT OF STATE 251497 TO USDEL SECRETARY OCT 22

QTE:

C O N F I D E N T I A L STATE 251497 TOSEC 160245

EXDIS

E.O. 11652: GDS

TAGS: GR

SUBJECT: OFFSET: DISCUSSION WITH HERMES

BRIEFING MEMORANDUM

FOR THE SECRETARY THROUGH SONNENFELDT FROM HARTMAN

1. SUMMARY: FRG STATE SECRETARY HERMES REVIEWED STANDARD
GERMAN POSITIONS ON OFFSET, EMPHASIZED CHANCELLOR SCHMIDT'S
PERSONAL INTEREST IN SUBJECT, AND PROPOSED THAT TWO
REPRESENTATIVES FROM EACH SIDE AT "OFFICE DIRECTOR" LEVEL
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MEET IN NOVEMBER TO EXCHANGE "FACTS AND ARGUMENTS." END

SUMMARY.

2. AT OUTSET OF DISCUSSION I NOTED THAT WE ACKNOWLEDGE THAT THE ECONOMIC FACTORS IMPACTING ON TRADITIONAL OFFSET ARRANGEMENTS HAVE CHANGED, THAT BOTH SIDES FACE POLITICAL PRESSURES REGARDING ANY NEW AGREEMENT, BUT THAT WE BELIEVE WE NEED SOME FORM OF NEW AGREEMENT TO DEAL WITH PRESSURES FROM CONGRESS. I NOTED THAT WE ARE PREPARED TO EXPLORE THE CONSTRAINTS WHICH AFFECT BOTH SIDES AND WHAT WE MIGHT CALL A NEW AGREEMENT. HERMES RESPONDED THAT HE WAS INSTRUCTED BY THE CHANCELLOR TO DISCUSS PROCEDURES. HERMES THEN PROPOSED THAT EACH SIDE NOMINATE TWO EXPERTS AT "OFFICE DIRECTOR" LEVEL TO EXCHANGE "FACTS AND ARGUMENTS." FOR THE FRG THE FOREIGN MINISTRY AND FINANCE MINISTRY WOULD BE REPRESENTED. HERMES CONTINUED THAT THE CHANCELLOR IS RESERVING FOR HIMSELF THE INSTRUCTIONS TO THE FRG REPRESENTATIVES PRIOR TO THE MEETING.

3. HERMES STATED THAT THE FRG VIEW IS BASED ON THREE ELEMENTS:

(A) ARMS PROCUREMENT: IN THIS REGARD THE FRG MIGHT PROVIDE INFORMATION ON ANTICIPATED PURCHASES FROM THE U.S. BY THE BUNDESWEHR OVER THE NEXT TWO YEARS.

(B) THE CHANGED ECONOMIC SITUATION: NOW THAT EXCHANGE RATES ARE FLOATING, BALANCE OF PAYMENTS TEND TO ADJUST THEMSELVES. THAT, WITH THE IMPROVED U.S. BOP SITUATION, CAUSES THE JUSTIFICATION FOR TRADITIONAL OFFSET AGREEMENTS TO FALL APART.

(C) FRG MONETARY RESERVES (IN EXCESS OF \$20 BILLION) IN THE U.S. THESE ARE LIKELY TO CONTINUE AS A CONTRIBUTION TO COOPERATION IN ECONOMIC MATTERS.

4. I RESPONDED THAT, AS A PRELIMINARY REACTION, IT WOULD BE WORTHWHILE TO MEET AT THE EXPERT LEVEL AS HERMES SUGGESTED. I POINTED OUT THAT THERE ARE OTHER ELEMENTS WORTH EXPLORING, SUCH AS HOW FINANCING OF SUPPORT FACILITIES FOR THE NEW U.S. BRIGADE IN NORTHERN GERMANY WOULD

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FIT INTO THE NEW PICTURE. WE MIGHT VIEW A NEW ARRANGEMENT AS A TRANSITION TOWARD A CONSCIOUS RECOGNITION THAT RATIONALIZATION AND STANDARDIZATION WITHIN NATO IS A MORE GENUINE MEASURE OF BURDENSARING. HOWEVER, WE NEED SOMETHING IN THE SHORT TERM TO REPLACE THE EXPIRED OFFSET AGREEMENT TO AVOID ALLOWING CONGRESSIONAL FIGURES TO CLAIM THAT THERE IS A VOID WHICH MUST BE FILLED.

5. AS TO TIMING, HERMES SUGGESTED THAT THE EXPERTS MEET AROUND THE END OF NOVEMBER. I RESPONDED THAT AN EARLIER DATE WOULD BE USEFUL TO US. HERMES SAID HE WOULD BE IN TOUCH ON THIS, AS THE CHANCELLOR HAS TO GIVE A GREEN LIGHT.

6. COMMENT; WE WILL NOW HAVE TO PREPARE OURSELVES FOR THE EXPERTS LEVEL MEETINGS AND DETERMINE WHO SHOULD REPRESENT THE U.S. AT SOME POINT WE WILL NEED TO BRING IN TREASURY AND DEFENSE. I WILL BE SUBMITTING RECOMMENDATIONS TO YOU ON THIS.

7. CLEARED BY C - KELLY. INGERSOLL UNQTE KISSINGER

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